IMPACT OF CORPORATE GOVERNANCE ON PERFORMANCE OF SELECTED INDIANBANKS

A

SYNOPSIS

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1. INTRODUCTION

1.1 Corporate Governance

Corporate governance provides the structure through which corporations determine and achieve their objectives and functions of corporate entities. Corporate governance is the process by which a corporation issues guideline. In short, it is a process of administering a company like a monarchical state that establishes its own customs, laws and policies from the highest to the lowest.

From a financial point of view, corporate governance is the association of well-defined rules, procedures and laws by which the functions and regulations of business are carried out. Most of the companies leave no stone unturned in achieving a high level of corporate governance. It is the responsibility of the Board of Directors to create a framework for corporate governance that aligns with the objectives and mission of the business.

Definition by the Cadbury Committee in 1992 "Corporate governance is the system by which companies are directed and controlled more specifically it is the framework by which various Stakeholder interests are balanced".

Over the past decade, corporate governance has received great attention because of high-profile scandals and criminal activities by corporate executives.

1.2 Corporate Governance's Principles

Fundamentals of sound corporate governance include fairness, accountability, accountability and responsibility.

Fairness: Fairness touches upon the points of equal and equal treatment of all shareholders with respect to shareholding in respect of obtaining returns. The fairer the company appears to stakeholders, the more likely it is to remain in the league.

Accountability: Is an obligation to provide explanation for the actions and activities of the company. Corporate accountability includes the following:

- Presentation of a balanced and prospects of a company.
- Responsibility for determining the nature and extent of the risks that the company undertakes.
- Maintain the risk management and internal control structure.
- Formal and cloudless arrangements for corporate reports and establishing an appropriate

relationship with the company's auditors.

- Time to time proper convection with shareholders regarding diversification, progress and financial reports.

Responsibility: The CEO and Board of Directors are accountable to the shareholders on behalf of the company with respect to the performance of responsibilities. Thus, they should exercise their authority with full responsibility. The Board of Directors is responsible for managing the operations of the business, appointing the appropriate CEO, overseeing the affairs of the company and overseeing the performance of the company.

Transparency: Transparency means that a company must disclose informational data about its activities to shareholders and other stakeholders. It also includes an open mind and willingness to reveal financial data that is genuine and true. Reports about the achievements and activities of the organization should be unveiled in a time bound manner and strive for accuracy. Such steps ensure that investors have access to transparent and factual data that reflects the organization's financial, environmental and social status.

1.3 Important Committees on Corporate Governance

Table :1 Committees Names

S.No.	Committee	Country	Date of Submission
1	Cadbury	England	1992
2	King Committee	South of Africa	1994 & 2000
3	CII (Confederation of Indian Industry)	India	1996
4	Hampel	England	1998
5	Kumar Mangalam Birla	India	2000
6	SEBI (Securities and Exchange Board of India)	India	2000
7	Narayana Murty	India	2003

1.4 Advantages of Corporate Governance

- Good corporate governance provides corporate success.
- Good corporate governance provides economic growth.
- Strong corporate governance maintains the trust of investor, help in raise capital effectively and efficiently.
- It reduces capital costs.
- Share price has a positive effect.

- It provides platform to owners as well as managers to achieve the objectives of the organization.
- Good corporate governance also reduces wastage, corruption, risk and mismanagement
- It helps in brand creation and development.
- It ensures to manage the organization in a way that suits the best interests of all.

1.5 Corporate Governance in Banks

Corporate governance has become very important for banks to continue in performance and competition in this era of liberalization and globalization. In a broader sense, banks are institutions whose business is handling other people's money. Protecting the interests of depositors is paramount for banks. In banking language. Corporate governance refers to the affairs of a banking organization to operate in a manner that allows all stakeholders to gives fair deal. Importance of corporate Due to the nature of banking transactions, governance in the banking sector weighs a lot. Banking is an important factor affecting the economic development of an economy. It is the life-blood of the country. This flow of debt and responsibility for maintaining the financial balance of the economy. In India, Banks have emerged as a tool of social justice as well as economic development since the nationalization process. According to the Basel Committee Report 1999, Exemplary performance of corporate governance practices in its financial performance to banks, Transparency in the balance sheet and compliance with other criteria set by Section 49 of the Corporate Governance Rules have to be demonstrated. Most importantly, the operating profit in their annual report, return on property, Business per employee, NPA, Maturity profile of loan. In advance, Investment, Accounting ratios related to lending and deposits should be disclosed. Like this, the bank's audit report should highlight disclosures that conform to corporate governance regulations. So, Reserve Bank of India to auditors (RBI) The latest guidelines given by it should be fully aware of all the features and ensure that the financial statements are made in a fraud-free manner and should reflect the implementation of corporate governance. Properly bringing those requirements into the audit report Apart from the seriousness of the auditor for, Banks' operational activities should have adequate internal control systems. It is very important for banks to pay adequate attention to internal control systems so as to maximize their return on each unit of capital involved through effective fund management strategy and mechanisms (Basel Committee Report, 1999).

1.6 Need for Corporate Governances in Banks

- Bank play important role in Indian financial system. So, it becomes important to focus on corporate governance in the banking industry.
- The Reserve Bank of India, as a regulator, is responsible for the nature of corporate governancein the banking sector.
- Corporate governance in banks is of vital importance as far as the systemic implications ofbanks are concerned.
- Given the dominance of public ownership in the banking system in India, corporate practicesin the banking sector will also set the standard for corporate governance in the private sector.
- With a view to reduce the potential financial burden of recapitalization of public sector banks, the focus on corporate governance in the banking sector is of additional importance.

1.7 Clause 49 (Revised April, 2014)

Clause 49 of the Listing Agreement for the Indian Stock Exchange which came into force on 31 December 2005. It is designed to improve corporate governance in all listed companies.

SEBI released the amendments to Clause 49 of the Equity Listing Agreement by a circular dated on 17 April, 2014. The revised Clause 49 apprises and aligns the listing agreement with corporate governance changes bought out in the Companies Act, 2013. Revised Clause 49 is more stringent. It was applicable to all listing companies with effect from 1 October, 2014. The monitoring cell formed by stock exchanges was also required to monitor the compliance with the provisions of the revised Clause 49 on corporate governance for all listed companies. The cell was supposed to ascertain the adequacy and accuracy of disclosures in the quarterly compliance reports received from the companies and submit a consolidated compliance report to SEBI within 60 days at the endof each quarter. Circular regarding revised Clause 49 supersedes all other earlier circulars issued by SEBI on Clause 49 of the Equity Listing Agreement. Following are the major changes in the revised Clause 49 in 2014.

1.8 Rationale of the Study

Before 1990's, the Indian banking industry was characterized by the dominance of public sector banks. In 1991, due to liberalization policies many private sector and foreign banks entered into theindustry. Reserve Bank of India is the regulatory body for the banking sector. The SEBI is a regulatory

authority for the securities market. The Indian banking system is becoming more complex. SEBI has made the compliance of the corporate governance code mandatory for listed banks in order to protect the interest of the stakeholders. In India, the first declaration with regard to corporate governance was made by Dr. Bimal Jalan, Governor of the Reserve Bank of India in 2001. Corporate Governance includes internal controls, composition and role of the board, disclosure standards and risk management.

Corporate governance in the banking industry is directly or indirectly related to the financial performance. Hence, corporate governance is given the highest priority in banking sector than other industry. Corporate governance is no more a fashionable and trendy terminology to be used in the corporate speech. It has become the widespread movement to strengthen the functioning, credibilityand transparency of an organization. Every organization wants a competitive profit through diversified series of portfolio investment. But this has to be in line with governance aspect, which is the major challenge of the contemporary corporate world. Corporate governance has now been developed as the significant strategic tool to eliminate risk in business. In this regards, corporate governance is fair, equitable, transparent and justifiable management model that aims at the long- term satisfaction of key stakeholders.

Hence, the study seeks to measure the compliance level of Corporate Governance by selected Banksin India. It also attempts to study the impact of Corporate Governance on financial performance of selected banks.

2. Review of Literatures

National Reviews	**20**
International Reviews	**10**
Total	**30**

2.1 National Reviews

Pufleeta Goel (2018) explored the effectiveness of corporate governance reforms by analyzing the corporate governance practices followed by Indian companies in two reform periods i.e. 2012-13 as period 1 and FY 2015-16 as period 2. The Corporate Governance Performance (CGP) Index was developed to measure the Corporate Governance Score of Indian companies. Although the corporate

governance practices adopted by Indian companies improved significantly, the number of independent directors on the board decreased after the reforms in the second period. The study reported a significant relationship between the integrated framework of corporate social performance and financial performance over the first period. Corporate governance reforms in the second period had no impact on financial relations in the Indian market.

Aswathy Mohan, S. Chandramohan (2018) investigated impact of corporate governance on firm performance in India. The variables considered in the study were measures of firm performance such as return on equity (ROE) and price-to-book ratio (PB ratio) and characteristics of corporate governance including board structure, board size and CEO duality. Firm specific variables were financial leverage, asset turnover and sales. The study used a panel data OLS regression model to sample 30 firms quoted on the Bombay Stock Exchange. The results of the panel data analysis showed that CG factors, namely CEO duality and board size, had a significant negative impact on the firm's performance, while board composition showed a negligible effect on the firm's performance. The results also showed that leverage and asset turnover had a significant positive impact on the firm's performance.

Marcus Aim, Jonatha Winberg (2016) examined the impact of gender diversity in corporate boards on financial performance of Swedish OMX-listed firms. The study was based on panel data from 255 companies over a six-year period. The results found that there was no statistically significant association between both ROA and Tobin's Q and that the female gender variable had no clear link in relation to gender diversity performance. A common finding was that gender diversity had no effect on financial performance.

Palaniappan G, Srinivasa Rao (2016) identified the relationship between corporate governance disclosure practices and Indian firms' performance with respect to profitability. 10 manufacturing firms listed on BSE stock exchange in different sectors were taken as a sample for the year 2013-2014. The data was collected from the Center for Monitoring Indian Economy and related companies and in the framework of content analysis through disclosure of Annual Reports and Corporate Governance Reports. Applying correlation and regression analysis they found positive significant impacts with the disclosure of corporate governance and the performance of firms to construction firms in India.

Shafie Mohamed Zabria, Kamilah Ahmadb, Khaw Khai Wah (2016) focused on the relationship

between corporate governance practices on Malaysian firm performance. The study used two indicators of corporate governance (board size and board independence) and two firm performance indicators i.e. Return on Asset (ROA) and Return on Equity (ROE). The study covered 86 companies for the period 2008-2012. Descriptive and correlation analysis were used to investigate the hypotheses. The result showed that board size had a negative significant relationship with ROA but it was insignificant for ROE. Other findings indicated that there was no correlation between board independence and assertive performance.

Nawaz, Ahmad and Iqbal, Sana (2015) investigated the endogenous nature of corporate governance and performance relationship in a panel of 173 micro finance institutes of Asia and studied whether financial performance drives corporate governance mechanism in micro finance institutes of Asia. An index of seven corporate governance variables was constructed which was used as a response variable of the study. The result found insignificant impact of corporate governance on financial performance by employing generalized least square model. However, when the same relationship was studied in reverse direction using ordered logit regression, the significance of results improved. Results further suggested that profitability and sustainability did not necessarily bring better governance system in MFIs. However, greater portfolio yield and more operating expenses lead to improved governance practices in micro finance institutes.

Muhammad Waqas Chughtai, Waqar Ahmed Tahir (2015) found effects of corporate governance on performance of banking sector in Pakistan. The study used secondary data for the period 2009 to 2013 from fifteen banks that were listed on the Lahore Stock Exchange. Board size, board meetings, non-executive directors, bank size and leverage were taken as independent variables, while bank performance was measured through return on assets and return of equity. Correlation and regression analysis was used. The results showed that corporate governance had a significant relationship with the performance of the bank.

Abdulrahman F. Alshehri (2015) investigated the impact of corporate governance on the financial performance of Islamic Banks (measured in terms of ROA & ROE). Corporate governance measures included board size, the presence of female board members, CEO duality, the proportion of block holders, the existence of a sharia committee, and the size of a sharia committee. The study was based

on a sample of 102 Islamic banks from 24 different countries around the world over the period 2008-2012. An econometric model was also specified and the regression equations were calculated using multiple regression analysis. FMding indicated that the size of the board and the presence of block holders had a significant impact on financial performance, while the duality of the CEO had only a partial effect on ROE. Other independent variables had no effect on financial performance.

Muganda Munir Manini, and Umulkher Ali Abdillahi (2015) examined the impact of corporate governance mechanisms on bank's profitability to forty- two bank of Kenya for the year 2014. By taking variables like audit committee size, board gender diversity and board size, on banks' profitability the study used correlation and it was based on the agency theory. Multiple regression was used as a method of estimation. The results revealed that audit committee size, board gender diversity and bank capital had no significant effect on bank's profitability. The regression results indicated negative influenced of board size on financial performance.

Satirenjit Kaur Johl, Shireenjit Kaur, and Barry J. Cooper (2015) examined the impact of board characteristics and firm performance of Malaysian public listed firms. The study examined the effects of board meetings, board independence, board size and directors' accounting expertise on the firm's accounting performance. They used both financial and non-financial data from the annual reports of 700 publicly listed firms in Malaysia for the year 2009. Using regression and correlation, the results showed that board independence did not affect firm performance, while board size and board accounting/financial expertise were positively associated with firm performance. The due diligence of the Board in the context of Board meetings had an adverse effect on the performance of the firm.

Gadi Dung Paul, Emesuanwu Catherine Ebelechukwu, Shammah Yakubu (2015) assessed the impact of corporate governance on micro finance bank's financial performance in Nigeria. The study used secondary data from twenty-three microfacet banks. Data were analyzed using Pearson correlation coefficient and ordinary least squares regression. Board composition (BC) and composition of board committees (CBC) were used as independent variables and earnings per share (EPS) and return on assets (ROA) were used as financial performance. Pearson correlation showed that a significant relationship existed between earnings per share (EPS) and corporate governance (composition of the board and board committees), while regression analysis showed a negligible relationship between corporate

governance and financial performance of the bank.

Partha Sarkar, Pradip Kumar Samanta (2015) analyzed the nature of alignment between corporate governance and firm performance on the basis of an empirical research based on 30 S&P BSE Sensex companies in India for the year of 2012-13. The study examined the relationship between corporate governance and firm performance using Tobin's cue. It used regression and multiple linear regression. The study showed that there was no relationship between corporate governance and firm performance.

Rachana Vishwakarma, Alok Kumar (2015) ascertained the effect of corporate governance aspects on the performance of selected IT companies in India. The study was based on secondary data covering a period of five years from 2010 to 2014. Ten IT companies were selected on the basis of their market capitalization for the study. The size of the board of directors, the number of women boards, the proportion of independent directors, the number of board meetings, the duality of the chief executive officer and the board committee, aspects of corporate governance were taken as independent variables. ROA, ROE and return on capital employed are used as indicators of performance. Multiple regression and descriptive statistics were used to analyze the results. It was found that the size of the board of directors, independent directors and board committees had a significant impact and that women's board and board meetings were found to have negligible effect on financial performance.

Mohd. Yameen, Izhar Ahmad (2015) judged the impact of corporate governance practices on the shareholders wealth and financial performance of Hindustan Petroleum Corporation Limited. The study covered a 16-year period, showing an eight-year study followed by an eight-year study following the implementation of corporate governance. Using t-tests (pairs two samples for means) and ratio analysis, it was found that corporate governance practices had a positive impact on shareholder wealth as well as the financial performance of the organization.

Arunima Haldar, Nageswara Rao (2014) examined the impact of corporate governance on financial performance in India. The study included 323 listed Indian firms over the period 2008 to 2011. The "CG Index" was constructed using six important governance mechanisms covering a total of 44 parameters that affect the state of governance of Indian companies in the study. An analysis of the Corporate Governance Index for a period of four years found an upward trend in the practice level of Corporate Governance of Indian companies. He investigated the relationship of the CG index on firm

characteristics using synchronous equation modeling. The results showed that there was a strong correlation between the Corporate Governance Index and the companies' market performance.

Karara Pal Narwal, Sonia Jindal (2015) examined the impact of corporate governance on the profitability of Indian textile sectors. The study used data from 40 textile companies for a five-year period from 2009-10 to 2013-14. Profitability was taken as dependent variable and size of board, remuneration of audit committee members, board meetings, non-executive directors, directors were taken as independent variables. To analyze the data correlation and OLS regression models used in the study. A strong positive relationship was observed between director's remuneration and profitability. Audit committee members were negatively associated with profitability. The study concluded that board size, board meetings and non-executive directors had no significant relationship with profitability.

AK Dhamija, Surendra S. Yadav, PK Jain (2014) examined the individual effect of each corporate governance variable on the firm performance The firm's performance was measured by Tobin's Q and Return on Asset (ROA). 41 companies listed on Nifty were taken as a sample for the period 2006-2010 excluding banking and finance sector. The independent variables were the role of the chairman, board size, proportion of institutional investors, concentrated ownership, the chairman of the audit committee, percentage conflicts. Number of non-executive and independent directors on the board. Panel data unit root test, Granger causality test, panel data regression and Hausmann test were used to complete the study. The study found that neither the institutional investors nor the concentration of ownership made any impact on the performance of the firm.

Pooja Gupta, Aarti Mehta Sharma (2014) determined relationship between corporate governance and firm performance. The study sought to see whether higher and better corporate governance resulted in better performance of companies. Five multinational companies from the US and Korea were taken. There was a mix of manufacturing and service companies. All the ten selected companies were listed on the major stock exchanges in their respective countries. Secondary data was collected for a period of eight years from 2005-06 to 2012-13. ROA and ROE were taken as financial parameters. The study found that corporate governance practices had limited impact on both the share prices of companies as well as their financial performance, and India followed more stringent corporate governance practices based on the US model than South Korea.

Madan Mohan and Marimuthu (2016) endeavored to establish the relationship between financial performance of firms and corporate governance of 30 Indian companies, listed on the BSE. Data related to the size of the board (number of directors on the board), duality (if the chairman and managing director are equal), remuneration to the board of directors, independence (number of non-executive directors) and return on corporate governance variables of the boards of these companies. The ownership (shareholding pattern of promoter and promoter group) was aggregated for five years from 2009 to 2014. Statistical tools such as correlation, regression and mean were used. The results showed that two corporate governance variables, i.e. board ownership and duality, had a significant positive impact on ROA.

Mohi-ud-Din Sangmi, Sumaira Jan (2014) examined the Corporate Governance policies of commercial banks in India which were classified into public sector banks and private sector banks. In the study, private sector banks were classified into old private sector banks and new private sector banks. Governance policies were evaluated with the help of five parameters. Due to a written code of corporate governance, the availability of corporate governance policies, the distribution of related content to relevant parties, issues in the code of conduct and other components of corporate governance. Study examines differences between corporate governance policies The mean and standard deviation were used in the study. The t-test was used to test the hypotheses and concluded that there was no significant difference between the corporate governance policies of public sector banks and private sector banks, while those of older private sector banks and newer private sector banks. A significant difference existed between corporate governance policies among U.S. banks. India.

2.2 International Reviews

Lawrence Tai (2016) investigated the impact of corporate governance on the efficiency and financial performance of 57 publicly listed national banks in the Gulf Cooperation Council (GCC) countries. A trans log cost function was used to obtain the efficiency score for each bank in the sample. Five corporate governance variables were identified i.e. board size, independent and non-executive directors, no. Board committees, board meetings, block shareholding and its impact on corporate efficiency and financial performance. Two accounting-based measures were used as to the firm's performance. Using descriptive statistics, multiple regression analysis and correlation, the results indicated that the number

of board committees was a significant factor on corporate efficiency, while board size, block shareholding and type of banks (Islamic versus traditional) were significant factors on financials display.

Naveed Ahmad, Muhammad Sulaman Tariq, Naqvi Hamad, Sadia Samad (2016) examined the link between corporate governance and firm's financial performance of banks in Pakistan. The size and board structure of the board under corporate governance were studied to examine its impact on financial performance. The convenience sampling technique was used for the selection of their study sample consisting of six banks. The data was collected through questionnaires distributed among the employees of six banks in DG Mines. Using descriptive statistics, correlation coefficients and regression analysis, the study concluded that board size and board structure had a positive effect on financials.

Olani Bekele Sakilu, Berhanu Getinet Bibret (2015) examined the relationship between the determinants of financial performances of commercial banks in Ethiopia and corporate governance practices using time series data covered the period of 2008-2013. The results showed that board size, in the board's self-study, financial performance was measured by banks' ROA and ROE. The study found that qualified directors on the board, directors with prior experience in banking, CEO compensation and the existence of a risk management committee on the board had a significant and positive impact on the performance of the bank in terms of both ROA and ROE. Ownership had a statistically significant and negative impact on banks' performance. Mechanism and bank size had a significant positive relationship with banks' financial performance, while ownership concentration and leverage ratios had a significant negative relationship with banks' financial performance. Was. However, the CEO status, the size of the audit committee and the independence of the audit committee were not related to the financial performance of the banks.The effect of frequency of board meetings on the financial performance of the bank was positive and significant in terms of ROA, but significant and negative in terms of ROE. On the other hand, variables such as the size of the board, female directors on the board and the existence of audit committees on the board did not have a statistically significant effect on the performance of the bank.

Ashraf Al-Sahafi, Marcus Rodrigs, Lisa Barnes (2015) examined the relationship between corporate governance variables and financial performance of all listed banks in Saudi Arabia Annual reports of

all eleven listed banks in Saudi Arabia for the years 2009 and 2012 were analyzed. The study used various variables of corporate governance (board size, independence, CEO position, and audit committee and ownership concentration) and the ROA, ROE, and Tobins Q were financial performance. The results showed that board size, board independence and bank size had a significant positive relationship with banks' financial performance, while ownership concentration and leverage ratios had a significant negative relationship with banks' financial performance. However, the CEO status, the size of the audit committee and the independence of the audit committee were not related to the financial performance of the banks.

Tarek Roshdy Gebba (2015) explored the existence and practice of corporate governance mechanisms in United Arab Emirates (UAE) national commercial banks. The study examined whether the mechanism forced by law; The Board of Directors, Auditors, Audit Committee and Credit Committee were used by UAE banks. It was found that most of the corporate governance mechanisms adopted by banks were imposed by laws and regulations. Finally, the study revealed the importance of intrinsic mechanisms compared to extrinsic norms.

Samreen Fatima Malik, Sidra Salam, Navera Khan (2014) investigated the impact of corporate governance by the board of directors on the performance of commercial banks of Pakistan. The objective of the study was to know whether a balanced board of directors influenced the performance in terms of accountability, independence and transparency in commercial banks of Pakistan. Two major commercial banks were selected on the criterion of portfolio as well as number of branches. The target population in these banks was manager grade officers. The study used Cronbach's alpha test, five-point Likert scale questionnaire and correlation. They concluded that the corporate governance by board of directors had a widespread role in organizational performance. The results suggested that independence and accountability significantly organizational performance. However, effect of independence was higher than accountability.

Adrie Putra, Royhisar Martahan Simanungkalit (2014) focused on the impact of the implementation of good corporate governance on financial performance of Indonesia public sector banks. The study was conducted during2007, 2010, and 2012. The study used path analysis, with secondary data for five consecutive years during 2008 to 2012. The study concluded that implementation of good corporate

governance is important in the value of a company. Implementation of good corporate governance had a positive impact on the performance of the banking sector.

Assefa Garbi, Megbaru Misikir (2014) diagnosed association between corporate governance and financial performance of commercial banks of Ethiopia. The study used Return on Asset, Return on Equity and operating profit margin as dependent variables and board size, board independence, frequency of board meetings, audit committee and board ownership as independent variables and financial leverage and firm growth rate were used as control variables. The study used correlation analysis and pooled panel time series data with cross-sectional nature. The econometric regression result showed that, board size was negatively and significantly associated to all the three indicators of financial performance. Both board independence and board ownership had positive relationships and significant effects on the three indicators of financial performance. The result showed negative significant correlation between audit committee and Return on Asset and Return on Equity had negative insignificant impact on operating profit margin.

Ping fulai (2014) analyzed the impact of corporate governance on financial performance in Asian banks. The study used multiple linear regression analysis and correlation matrix to explain the effect of explanatory variable namely, Capital (CAR), Profitability (PTC and ROAA), Asset Size (TA) and Asset Quality (NPL) on a proxy variable Board Size (BS) and Board Meeting (BM). They concluded that statistically significant relationship existed between CAR, PTC and corporate governance. While TA, NPL, ROAA were statistically insignificant with corporate governance. There was statistically significant relationship between CAR, PTC and board size. TA, NPL and ROAA were statistically insignificant with board sizes. Besides, there was statistically significant relationship between PTC, TA, ROAA and board meeting. CAR and NPL had statistically insignificant relationship with board meetings. They found that financial performance of banks in year 2007-2008 was statistically different from that of year 2011-2012 due to financial crisis in 2007-2008.

Ana Quaresma, Renato Pereira, Alvaro Dias (2014) analyzed the relation between the quality of corporate governance practices and the financial performance of international listed banks. Variables related to company returns were IL/GL, NL/TA, ROA, ROE and Tier l and corporate governance variables were independence of the board of directors (INDBD), independence of the president of the

board of directors (INDPR), size of the board of directors (SZBD), voting power concentration (VPC) and the company's shareholder independence indicator (BvDep). The samples selected were listed banks from European, American, and Japanese stock markets from the period between 2006 and 2009. The study used inferential statistics, pearson's correlation coefficient and partial correlation analysis and used rating as the control variable. Results showed a significant relation between best corporate governance practices and financial performance of studied banks.

3.Final Gap of the Research

After going through all the aforementioned literatures. The following gaps are found:

• There is no study that attempts to measure the compliance level of corporate governance by selected banks in India in the pre and post duration of implementation of the revised clause 49.

• There is no study that attempts to find out the impact of corporate governance on performanceof the banks.

• There is no study that covers the covid's time duration.

4. Need of the Study

This study takes into account the guidelines issued by various committees on corporate governanceand the laws and regulations related to corporate governance in the light of notable national and international corporate governance practices of the Indian banking sector will create corporate governance index for good governance is likely to lead not only to the banking sector but also to the growth and prosperity of the economy as a whole. Not only credibility and trust improve by corporate governance it also helps in survival and development. Excellence, Banks need to ensure good corporate governance to achieve transparency and maximize the value and wealth of shareholders. Adopting best corporate governance practices is the first step in realizing the bank's vision and mission and the security of better stakeholders. In this study researcher examine the impact of corporate governance on selected banks' performance.

5. Research Questions

- What are the guide lines of Corporate Governance in banking industry?
- What is the compliance level of Corporate Governance by selected banks in India?
- What is the impact of Corporate Governance (revised clause 49) on the financial performance of

banks?

- What are the major suggestions which improved the corporate governance practices can be improved so as to increase the efficiency of Banks?

6. Objectives of the Study

1. To study the corporate governance practices in Indian banking system.

2. To measure the extent of compliance level of Corporate Governance by selected banks in India.

3. To study the pre and post impact of Corporate Governance parameters (revised clause 49) on financial performance indicators of selected banks.

4. To suggest various means through which Corporate Governance practices can be improved soas to increase the efficiency of Banks.

7. Hypotheses of the Study

H01: There is no significant impact of Corporate Governance parameters on Return on Assets on selected banks.

H02: There is no significant impact of Corporate Governance parameters on Return on Equity on selected banks.

H03: There is no significant impact of Corporate Governance parameters on Return on Long term Fund on selected banks.

H04: There is no significant impact of Corporate Governance parameters on Earning per Share on selected banks.

8. Research Design & methodology

Scope of the study

The researcher attempts to study the compliance level of corporate governance of selected banks. Further, the influence of parameters of corporate governance on Return on Assets, Return on Equity, Return on Long term Fund and Earning per Share is also analyzed. This type of study can be extended to other banks, which have to comply with corporate governance requirements under the listing agreement.

Duration of the study

Prior to the introduction of the Companies Act, 2013, the requirements of corporate governance were different from those that exist today. SEBI issued a revised Clause 49 in the year 2014 after incorporating changes in line with the Companies Act 2013.Further, as the data regarding compliance of corporate governance of all selected banks is available from the year 2009-10 only, therefore the study commences from that year.

Hence, the study includes a period of five years prior and a period of seven years post such revision to draw a complete picture of the compliance level of corporate governance parameters. The study covers financial years i.e. from 2009-2010 to 2022-2023.

Pre duration

- 2009-2014
- Clause 49
- Major issues of corporate governance

Post duration

- 2014-2023
- Revised clause 49 Major challenges like:
- Mergers
- Covid-19

Variable(s) of the Study

A variable is a feature or a quantity of a phenomenon that can be measured or classified. On the basis of past research, the researcher finds the number of variables that are divided into dependent and independent variables.

INDEPENDENT VARIABLE: Parameters of corporate governance

DEPENDENT VARIABLE: Financial Performance indicators

UNIVERSE

There are 34 banks functioning in India of which 12 are public sector banks and rests 22 are private sector banks.

Sample size

Out of 34 banks 4 banks are selected based on the convenience sampling method.

Table:2 List of the banks

Number of banks	Name	Number of Branches	Capital (Rs. Cr)
2 public banks	**SBI BANK** **Bank of Baroda**	24000 13153	992.5 926.8
2 private banks	**ICICI BANK** **YES BANK**	4882 1050	138.2 600.0

Source of Data

Secondary Data: - The secondary data will be collected from Reserve bank of India reports, Security Exchange Board of India declarations and annual reports of banks.

Tools and Techniques

The statistical tools will be use in the study are:

1. Correlation analysis

2. T-test (Paired Sample T-test)

3. Regression

Analysis will be done by using SPSS

Objective Wise Research Methodology

For completing this research, the study would be descriptive, explorative as well as analytical in nature. To make the study more meaningful and concise, the necessary data would be collected from the relevant sources. The researcher has designed the following strategies to complete the study:

- Study different Record and Report of the selected banks.
- The study will be based on different parameter which will help to bring the effective in to an action.
- Analysis of data for concluding.

Table 3: Objective Wise Research Methodology

Objective	Methodology
1. To study the corporate governance practices inIndian banking system.	For achieving this objective, the researcher will collect the information from the different officials 'website and reports.
2.To measure the extent of compliance level ofCorporate Governance by banks in India.	Disclosure Index Model will be constructed in the study. This Disclosure Index Model will be prepared on the basis of Clause49 and revised Clause 49 which has been framed by SEBI. The parameters for checking the level disclosure are

	first listed and then a score is assigned to each of listed items on a 100- point scale.
3.To study the pre and post impact of Corporate Governance parameters (revised clause 49) on financial performance indicators of selected banks.	For achieving this objective, the researcher will collect the information from the different officials 'website and reports and will be carried out the analysis between corporate governance parameters and financial performance indicators.
4.To suggest various means through which Corporate Governance practices can be improved so as to increase the efficiency of Banks.	Suggestion will be based on how corporate governance practices can be improved so as to increase the efficiency of Banks.

9. Outcomes of the Study

This study provides a picture of where banks stand in relation to codes and principles on corporate governance. This further provides an insight into the understanding that banks that are reporting on their corporate governance comply with various sections of the Code of Best Practice and wherever they are facing difficulties.

This study basically focuses on examining the impact between the organization's two promising variables i.e., corporate governance and performance.

Therefore, this study is very important for reasons:

- This study provides insights to develop governance guidelines in the bank.
- The study is practical for the policy maker of commercial banks to make necessary adjustments in financial and non-financial disclosures.
- The study is primarily useful for providing recommendations to stakeholders to bankers.
- This study helps to increase the applicability of corporate governance in other corporate sectors.
- It is useful to provide strategies to improve the financial performance of banks by effective governance mechanisms.
- This research study helps formulate a strategy and policy to improve the financial and non-financial performance of banks by improving the state of financial disclosure and non-financial disclosure.

10. Outline of the Chapter Plan

Chapter: 1 Introduction to corporate governance: This Chapter includes the following:

- What is the corporate governance?
- Evolution and history of corporate governance.
- Corporate governance history and adoption in Indian Banks.

Chapter: 2 Review of Literature: This chapter includes the following:

- Review of literature of previous work done on corporate governance in India and abroad.

Chapter: 3 Research Methodology: This Chapter includes the following:

- Final Gap of the Study Objectives
- Variables of the Study
- Objectives of the Study
- Hypotheses of the Study
- Research Design: Main Study
- Statistical Tools to be used for Data Analysis
- Selection of the Sample

Chapter: 4 Profile of selected banks

- SBI Bank
- Bank of Baroda
- YES Bank
- ICICI Bank

Chapter: 5 Analysis of corporate governance on the performance of the Indian Banks:

- This Chapter includes the analysis of the performance of the projected statements of various banks.

Chapter: 6 Summary and Findings: This Chapter includes:

- Implementation
- Suggestions
- Limitations
- Findings
- Conclusion.

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